

Message Text

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ORIGIN AF-18

INFO OCT-01 EUR-25 ISO-00 SPC-03 SAM-01 AID-20 EB-11

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CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 DODE-00 PA-04 USIA-15 PRS-01

IGA-02 L-03 /186 R

DRAFTED BY AF/W:JKBISHOP:JS

APPROVED BY AF/W:JLLOUGHRAN

AF:RSSMITH (INFO)

EB/IFD/ODF:MLINTON (INFO)

TREAS:HSHAPIRO (INFO)

AFR/CWA:AHELLIS (INFO)

----- 041821

R 261559Z FEB 74

FM SECSTATE WASHDC

TO AMEMBASSY ACCRA

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS:EFIN, EAID, PFOR, IBRD, GH

SUBJECT: GHANA DEBT: SECOND ROUND NEGOTIATIONS

REF: ACCRA 1070 (NOTAL)

1. FOLLOWING IS TEXT OF LE QUESNE LETTER TO DEPUTY
ASSISTANT SECRETARY SMITH DELIVERED BY BRITISH EMBASSY
WASHINGTON FEBRUARY 23. QUOTE:

2. ALTHOUGH, AS YOU WILL SEE FROM THE REPORT (FCO TELNO 70
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TO PARIS) OF MY RECENT MEETING, ASHLEY-LASSEN'S REACTION IS

NOT ENTIRELY UNEXPECTED, IT IS NEVERTHELESS DISAPPOINTING.

3. AS I SEE IT THERE ARE NOW TWO COURSES OPEN TO THE CREDITORS: (A) TO TELL THE GHANAIS THAT WE ARE NOT (REPEAT NOT) PREPARED TO MOVE FROM 2.1/2 PERCENT: OR (B) TO MOVE TO 2 PERCENT IN THE INTERESTS OF A SETTLEMENT. THE GHANAIS MAY WELL BE BLUFFING - I FIND THIS DIFFICULT TO ASSESS AND WOULD WELCOME YOUR VIEWS.

4. BUT EVEN IF WE THINK THEY ARE BLUFFING, WE CANNOT BE SURE THAT THEY ARE NOT. TO PURSUE COURSE (A) THEREFORE CARRIES THE RISK THAT WE MAY BE WRONG, IN WHICH CASE WE SHALL BE DEADLOCKED AND GET NOTHING. COURSE (B) ON THE OTHER HAND, WILL AT LEAST ENSURE SOME MONETARY RETURN TO THE CREDITORS. ADMITTEDLY WE MAY BE ESTABLISHING A POSSIBLY

DAMAGING PRECEDENT AS TO THE LEVEL OF GRANT ELEMENT IN OTHER RESCHEDULING AGREEMENTS AND AGREEING TO TERMS MORE GENEROUS TO GHANA THAN HER OBJECTIVE CIRCUMSTANCES APPEAR TO WARRANT. BUT I WONDER WHETHER, NOW THAT THE TWO SIDES HAVE MOVED SO MUCH CLOSER, AND IN THE LIGHT OF THE WORSENING ECONOMIC CIRCUMSTANCES, IT WOULD GENERALLY BE THOUGHT REASONABLE OF THE CREDITORS TO ADOPT ANY OBDURATE STANCE FOR THE SAKE OF HALF PERCENT.

5. SUBJECT TO THE VIEWS OF OUR MINISTERS, WHOM WE HAVE NOT YET CONSULTED, OUR INCLINATION IS TO SUGGEST THAT THE CREDITORS SHOULD CUT THEIR LOSSES AND OPT FOR COURSE (B) WHILE THE GOING IS GOOD, USING OUR WILLINGNESS TO MEET THE GHANAIS ON THE INTEREST RATE TO INSIST ON THEIR MEETING OUR REQUIREMENTS AS TO THE REST OF THE AGREED MINUTE. I SHALL BE INTERESTED TO KNOW WHAT YOU THINK.

6. MEANWHILE I THINK THAT IT WILL HELP TO KEEP THINGS MOVING IF I CAN CONTINUE WITH THE GHANAIS OUR DISCUSSION OF THE REST OF THE AGREED MINUTE, WITH THE OBJECT, IF AGREEMENT IS IMPOSSIBLE AT LEAST OF DEFINING THE PRECISE POINTS OF DIFFERENCE, OTHER THAN THE MORATORIUM INTEREST RATE. THIS WILL HOPEFULLY ENABLE US TO JUDGE WHETHER, HAVING WEIGHED UP WHATEVER CONCESSIONS MAY BE INVOLVED, LIMITED OFFICIAL USE

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IT WOULD BE IN OUR INTEREST TO GIVE AWAY THE ADDITIONAL HALF PERCENT IN ORDER TO SECURE A SETTLEMENT. I ENCLOSE (MIFT) A DRAFT OF THE MESSAGE THAT I WOULD NOW LIKE TO SEND TO ASHLEY-LASSEN. COULD YOU LET ME HAVE YOUR VIEWS ON BOTH THIS SUGGESTED PROCEDURE AND THE TEXT OF THE DRAFT ITSELF AS SOON AS POSSIBLE? UNQUOTE.

7. FOLLOWING IS SUGGESTED TEXT OF MR. LE QUESNE'S INTER-

IM MESSAGE TO ASHLEY-LASSEN.

8. QUOTE: I WAS EXTREMELY DISAPPOINTED TO RECEIVE FROM YOUR HIGH COMMISSION IN LONDON YOUR REPLY TO MY MESSAGE OF 15 FEBRUARY. I AM CONSULTING WITH THE HEADS OF CREDITOR DELEGATIONS WHETHER WE CAN SEE ANY WAY FORWARD FROM THE POSITION WE HAVE NOW REACHED.

9. MEANWHILE, YOU WILL RECALL THAT WHEN I SAW DR. ASANTE ON 5 FEBRUARY WE WENT THROUGH THE AGREED MINUTE. AS PROMISED IN MY LAST MESSAGE I AM NOW SENDING YOU A REVISED TEXT WHICH HAS BEEN AGREED WITH ALL THE CREDITORS.

10. AS YOU KNOW, MY OWN TIME HERE IS NOW VERY SHORT INDEED AND IF WE ARE TO PRESERVE ANY HOPE OF REACHING AN AGREEMENT BEFORE I HAVE TO PULL OUT OF MY PRESENT POSITION I THINK IT

WOULD BE USEFUL IF WE COULD CONTINUE OUR CONSIDERATION OF THE TEXT OF THE AGREED MINUTE WITHOUT WAITING FOR THE OUTCOME OF THE CONSULTATION BETWEEN THE CREDITORS ON YOUR LATEST MESSAGE. I WOULD HAVE LIKED TO OFFER TO COME TO ACCRA FOR A FURTHER DISCUSSION WITH YOU AND DR. ASANTE ABOUT THE REVISED TEXT OF THE AGREED MINUTE, BUT I AM AFRAID THAT IT IS QUITE IMPOSSIBLE FOR ME. I WONDER, THEREFORE, WHETHER YOU MIGHT BE PREPARED TO COME TO LONDON AGAIN - PERHAPS WITH DR. ASANTE - IN THE VERY NEAR FUTURE SO THAT WE CAN DISPOSE OF THIS AND SO KEEP THINGS MOVING. I WOULD BE FREE ON 4 MARCH IF THIS SUITED YOU. ENDS. UNQUOTE.
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